

General Information Letter: Pensions of retired government employees, including other states' governments, qualify for subtraction.

May 19, 2006

Dear:

This is in response to your letter dated April 13, 2006, in which you request advice. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department. For your general information, the regulation governing the issuance of letter rulings, 2 Ill. Adm. Code Part 1200 regarding rulings and other information issued by the Department, can be accessed at the Department's website. That address is www.revenue.state.il.us/legalinformation/regs/part1200.

The nature of your question and the information provided require that we respond only with a GIL.

In your letter you state as follows:

I am enclosing form CSF 1099R (Statement of Survivor Annuity Paid).

I had been paying State Income Tax for years on this and then was told by a tax-preparer that in Illinois this was not taxable. I would like to have this verified.

Ruling by Department

In response to your inquiries, please be advised that Section 203(a) of the Illinois Income Tax Act begins computation of taxable income with federal adjusted gross income (AGI). Certain exemptions, additions and subtractions then modify AGI to determine the amount taxed by the State of Illinois. Section 203(a)(2)(F) authorizes the subtraction from AGI of any amounts received "under the provisions of any retirement or disability plan for employees of any governmental agency or unit."

The 1099-R attached to your correspondence indicates that the income in question is a distribution from the Retirement Services Program of the State of Pennsylvania. This state pension is not taxable in the State of Illinois. To the extent it is included in federal adjusted gross income, it may be deducted in full.

As stated above, this is a GIL which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you wish to obtain a PLR which will bind the Department with respect to the application of the law to specific facts, please submit a request conforming to the requirements of 2 Ill. Adm. Code Part 1200.

Sincerely yours,

IT 06-0011-GIL

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